June 11, 2018

Alfred Pollard, General Counsel
Federal Housing Finance Agency
400 Seventh Street SW, Eighth Floor
Washington, DC 20219

RE: RIN 2590-AA83, Comments on Proposed Amendments to Affordable Housing Program (the "Notice")

Dear Mr. Pollard:

Thank you for the opportunity to comment on the proposed amendments to the Affordable Housing Program ("AHP") regulations. We appreciate the thorough process that the Federal Housing Finance Agency ("FHFA") has undertaken to attempt to provide the Federal Home Loan Banks (the "Banks") with discretion to leverage their Advisory Boards and local knowledge to be more responsive to district needs when allocating AHP resources.

Launched in 2003, SAHF is a nonprofit collaborative of exemplary, multi-state non-profit affordable housing providers--Mercy Housing, Volunteers of America, National Church Residences, National Housing Trust, The Evangelical Lutheran Good Samaritan Society, Retirement Housing Foundation, Preservation of Affordable Housing, The NHP Foundation, BRIDGE Housing, CommonBond Communities, Community Housing Partners, Homes for America, and The Community Builders. SAHF members preserve and develop multifamily properties for low-income persons with disabilities, the elderly, families, and the homeless. SAHF members collectively own and operate more than 1,880 properties comprised 135,000 affordable apartments across the country, nearly 100 of these properties were financed with AFP funds.

SAHF members are committed to providing affordable housing as a foundation for residents to improve their lives. SAHF members create and preserve housing that responds to the needs of communities and are often partners to communities in confronting their most complex housing challenges. SAHF members have used AHP funds as one tool for financing these vital projects. While SAHF members value their relationships with the Banks and their members and recognize that AHP can be an important secondary financing source. However, SAHF members have found that the process for receiving and closing an AHP award can be unclear and administratively burdensome relative to the size of the financial resource. Based on our members' experience, we offer the following general comments followed by responses to the specific questions in the Notice.

1. **General Comments**

SAHF and its members appreciate FHFA's intent of providing Banks with increased flexibility to address regional needs. Under the current process that awards points for seven different priorities plus District priorities to a broad pool of applicants, SAHF members have found it challenging to assess a project's likelihood of receiving an award. This challenge is exacerbated by long selection processes that often don't include a right to cure minor deficiencies and can leave an applicant uncertain of its status for many months. Completing the application is time consuming and costly. In a resource-constrained environment, developers need a clear view of the scoring process and an application and award time frame that aligns with primary funding sources.

A. Targeted Funds and Regulatory Outcomes

We appreciate that through the creation of Target Funds and regulatory priorities, FHFA aims to provide flexibility to the Banks to be more responsive to district needs and to provide a clearer competitive field. However, we are concerned that the layered regulatory outcomes approach will actually create a more prescriptive and less transparent process for Banks and applicants. While we recognize that the notice issued on May 2, 2018, clarifying that homeownership set aside awards may apply to regulatory priorities, may make it easier for Banks to comply with the regulatory outcome requirements based on recent past performance, our members, as developers of affordable multifamily rental homes, are concerned that the regulatory outcomes remain prescriptive. Achieving and reporting on the targets for statutory and regulatory outcomes, on top of administering a scoring and allocation process that actually implements those priorities, will require a great deal of oversight from the Banks, which we expect the Banks will seek to minimize by backing into a process that ensures compliance by replicating current results and does not necessarily create new flexibility. To the extent that Banks find that a high percentage of homeownership set aside transactions count towards regulatory priorities, this could incentivize banks artificially to prioritize homeownership over badly needed rental housing. Further, while only 55% of total AHP awards are required to meet regulatory priorities, the layering of statutory requirements, minimum homeownership set asides, regulatory priorities and income targeting will not necessarily align in the most efficient ways meaning that banks may be uncomfortable maximizing their discretion in administering targeted funds.

The proposed structure bears many similarities to FHFA's Duty to Serve ("DTS") rule, which provides the framework for the other Enterprises to carry out their statutory duty to serve underserved markets. SAHF members are generally supportive of the DTS rule as an appropriate framework for guiding national entities to serve markets that may not be attractive based solely on economic and market factors through the purchase of mortgages or other larger, market shaping activities. The AHP program is different in that it provides a dedicated funding source to specifically assist transactions that meet articulated statutory and regulatory goals. AHP is a direct program, with the funding that can be measured and tracked, and is carried out at the local level. The defined and regionally administered nature of the program simply doesn't require the broad regulatory approach that is appropriate for the other GSEs on top of an allocation framework. Instead, the Banks need clear and flexible guidance on allocation of this valuable resource. We encourage FHFA to further engage with the Banks and stakeholders to develop a more streamlined allocation framework that builds on the current scoring system, combines First and Second District Priorities and permits the use of Targeted Funds without imposing multiple overlapping outcome requirements.

B. Right-sizing the administrative requirements of AHP

SAHF views the preamble and the proposed eligible use guidance in 1291.24 as a missed opportunity to align the administrative requirements of AHP with its role in rental housing transactions. AHP provides valuable gap financing for much-needed rental housing. While AHP is a valuable resource, it is typically a relatively small portion of the financing package required to construct or preserve rental housing. Yet the administrative requirements and processing for AHP can play an outsized role in the timing and administrative and legal expenses of a transaction.

i. Application Process

Through regulations and subregulatory guidance, FHFA can encourage the Banks to develop processes that will more efficiently leverage AHP funds into affordable multifamily transactions, rather than having this supplemental funding source drive delays and additional administrative burden. One example would be to encourage banks to align their processes with other large funding cycles and to create more responsive application processes. For instance, we understand that the Illinois Housing Development Authority has moved up its competitive low income housing tax credit allocation (LIHTC) round to better coincide with the funding rounds for the Chicago Bank. This coordination of deadlines is helpful, however the inflexible nature of the AHP application process can make even this broad level of coordination ineffective. In one case, a SAHF member was disqualified for AHP funding for failing to provide site control evidence where the application platform did not provide a means to do so. The applicant was not notified of this deficiency for nearly six months and was given no opportunity to cure. At this point, the applicant was significantly disadvantaged in assembling financing for their competitively awarded LIHTC transaction and incurred additional expense in securing a replacement source and a delay in closing. We encourage FHFA to provide guidance in the preamble and in other subregulatory guidance formats urging the Banks to consider the awards cycles for funding sources, such as LIHTC, that are the dominant funding sources for rental housing when setting their own awards cycles. Further, FHFA should encourage the Banks to provide applicants with an appropriate opportunity to cure application deficiencies so that applications that would strongly support statutory and regulatory priorities aren't disqualified on a strictly technical basis.

A further example of additional administrative burden is the proposed 12 C.F.R. 1291.21(b), which adds a requirement that a project sponsor include all affiliates and team members such as a general contractor in the application. At the time of the AHP application, the full slate of development team members often has not been finalized. This will add administrative burden for project sponsors without providing any further safeguard to the Bank. AHP funds are not a primary funding source in multifamily rental developments. Construction contract and participation requirements are typically driven by the primary funding sources and the Banks should leverage the review and diligence of the lenders and investors assuming the primary construction and financing risk rather than endeavoring to assess the eligibility of all team members, a level of diligence not typical of a subordinate funder. To the extent that the Banks wish to collect certifications that no team members have engaged in misconduct defined in the FHFA's Suspended Counterparty Program, those certifications should be collected directly from team members and only the project sponsor's certification should be required at application. Requiring the sponsor to certify for other entities provides less certainty to the Banks and will add additional diligence and administrative costs as between the parties as project sponsors will in turn look for certifications, indemnifications or other assurance from their team members in order to make these certifications.

ii. Eligible Uses/Need for AHP

a. *Proforma Review*

As noted in the preamble, neither the statute nor the regulations specifically require a review of the operating proforma. The statute provides the funding is for the purchase, development or rehabilitation of property. As this is not an operating subsidy, evaluation of the operating budget and pro forma aren't necessarily required, particularly where AHP is provided as a grant. To the extent that FHFA requires a pro forma review, it is critical that it emphasize to the banks that review of the proforma is to assess the viability of the project. The need for the subsidy is assessed by evaluating the development/rehabilitation budget.

As a subordinate financing source in complex transactions, it is not appropriate for the Banks to independently assess the reasonableness of the cash flow. First position lenders and equity sources have debt service coverage requirements and requirements for the distribution of cash flow that will establish parameters for the cash flow. For LIHTC properties in particularly, the allocating agency already has a statutory obligation to determine that the project isn't over subsidized. Many properties have uneven cash flow that may be strong in early years, but dip in later years as expenses grow but revenues limited by affordability restrictions are limited. Strong cash flow at some point in a project's lifecycle doesn't indicate that the property is able to borrow more or attract additional funding. Given the complexity of most affordable rental transactions, the Banks should not second-guess the assessment and underwriting of larger, more at-risk senior sources.

We understand that FHFA intended to provide Banks flexibility to allow cash flow or debt coverage ratios that exceed the Banks' guidelines. This flexibility exists only where the Bank has determined that the requirement is reasonable or where it has required additional written support from the borrower. This perceived flexibility requires more processing by the Bank and owner and again asks the Bank to evaluate the financing assumptions of a senior financing source. Further, general guidance encouraging Banks to set separate cash flow thresholds and operate by exception rather than in the context of the individual transactions may drive Banks to overly conservative policies that may act as a compliance safe harbor but could exclude many worthwhile transactions. Rather than creating guidance defined by its exceptions, we strongly encourage FHFA to issue guidance to the Banks that urges them to develop policies that leverage the underwriting and analysis of the primary debt and equity sources, to review pro formas to assess the project's feasibility and to generally establish review guidelines that are fiscally prudent, but commensurate with the risk to the program and the role of the AHP funding in the larger transaction. As stewards of the AHP resources, Banks should focus their review on ensuring that the funds are used for the statutory and regulatory purposes.

b. Resident Services

The preamble guidance on supportive services expenses adds further unnecessary administrative burden. Research shows that housing with services can help improve resident outcomes, including decreasing hospitalization and medical expenses. Affordable housing stakeholders across the country are seeking to encourage housing with resident services. While we understand FHFA's interpretation that AHP funds should not be used to directly fund services, the Banks should seek to use their AHP funds in a manner that does not discourage service enriched housing. As drafted, the preamble guidance requiring separate services budgets could do just that.

AHP is for the acquisition, preservation or development of housing. To the extent that the sponsor can demonstrate the need for AHP funding for those purposes, the services budget is not relevant to the analysis. Services are not a rehabilitation or construction expense, but providing preservation or development funding to a property that provides services is not inconsistent with the statute or regulations. The perception that a separate budget is needed appears to be built on an assumption that if a property can support services as part of operating expenses, the Bank must consider whether the property could instead support more debt. This logical leap is not required under the statute and is not supported in practice. That cash flow, which is not assured, may be used to support services does not mean that applicants could otherwise apply that cash flow to acquire more debt and forego services. Further, removing resident services expenses from the operating budget will not necessarily result in more cash flow available for debt service since owners report that the presence of quality resident services can correlate with reductions in other expenses security, bad debt and legal expenses. These savings aren't realized in the absence of services.

The services and level of support appropriate for the residents of a property are frequently uncertain at the time of application. Operators with a thoughtful and systemic approach to resident services will assess the needs of the property's residents and complete a scan of community resources to identify the needs and resources available to the property and its residents, but this won't be completed at the time of application. Services are often funded with a blend of resources and provided to the extent that funding will permit. Many owners fundraise to support services, which again may not allow them to provide a completed budget at the time of application and would result in budgets that aren't accurate. Other owners use cash flow- often resulting from debt service coverage requirements or operational efficiencies. Requiring this level of detail will discourage service enriched properties or encourage speculative budgets and services programs that are not consistent with the kind of impactful affordable rental housing that AHP should seek to support. To the extent that FHFA and the banks feel that there is a risk that AHP funds will be used to directly support services funding, we strongly encourage FHFA to require Banks to collect a self-certification from applicants indicating that AHP is not being used to fund services.

c. Initial Monitoring

Once a project has been awarded AHP and a final project budget and sources and uses has been submitted, the Banks should not continue to assess the need for AHP funding. We have anecdotally heard of Banks reassessing the need for AHP in the days before large transaction closings and revising the amount of assistance at the very last minute, generating thousands of dollars of transactional expenses to address an unexpected funding gap. In some cases, this can happen because LIHTC pricing was more favorable than anticipated or a lower interest rate reduces expenses in the long term. In these cases, there is not necessarily more money available at the closing table and the need for the subsidy still exists. Further, the initial monitoring requirements outlined in 12 C.F.R. 1291.50 provide that need be reassessed after project completion. The statute does not require this post-closing monitoring of the need and use of funds, which is administratively burdensome and unnecessary. Effectively re-underwriting the assistance at multiple points between application and closing is unnecessary and inefficient. We urge FHFA to provide guidance to the banks that encourage them to leverage the underwriting processes of other financing sources to validate need after the initial determination and to reanalyze need only where there are material changes in costs or sources of funding. To the extent that the Banks are concerned with ensuring that costs were reasonable and the subsidy was necessary, they can rely on the owner's certifications required under the regulation or structure advances as loans or repayable grants that will be repaid from cash flow if funds remain.

C. Homeownership

Finally, while SAHF members recognize homeownership is an important path to economic security and wealth building for many low families, we do not support the increase in the maximum share of AHP funds that may be used for homeownership from 35% to 40%. While promoting homeownership for moderate income households is important and should be continued, basic housing affordability challenges for the lowest-income households have grown consistently worse. The AHP has played an important role in supporting the preservation and expansion of rental properties for very low-income and extremely low-income households, and the portion of AHP funding to this critical need should not be diminished. There is a disconnect between higher affordability and targeting goals for multifamily housing awards and FHFA's proposal to allow expanded allocations to homeownership, no deeper targeting of homeownership units, increasing maximum homeownership awards (from $15K to $22K), and elimination of homeownership retention requirements. The Banks' recent award history as presented by FHFA suggests that five of the banks have made homeownership awards exceeding 35% indicating that at least that many banks could seek to increase their set aside, particularly if it were perceived as an efficient way to ensure regulatory outcomes. This would do nothing to support the significant need for affordable rental housing that exists nationwide and would not foster responsive allocation policies.

2. **Responses to Targeted Questions** *(numbers correspond to those in Notice)*

1*. What are the benefits and risks of allowing the Banks to establish Targeted Funds?*

The current competitive system spreads points across a number of important priorities, but this complex system can make it difficult for a property meeting a specific critical need and perhaps most in need of gap funding to successfully compete for these resources. Use of Targeted Funds could allow Banks to better meet both regulatory and local identified need. However, the layering of statutory targets, homeownership set asides and regulatory outcomes in the proposed rule together with the required level of detail in the Implementation Plan could make it very challenging for Banks to create impactful Targeted Funds. This will be particularly true in early years of the implementation of the rule when Banks are navigating how to meet the new outcomes based requirements and only slowly able to identify needs in the Targeted Community Lending Plan and create Targeted Funds to address them. While we support FHFA's effort to mitigate risk by requiring Banks to build experience in administering Target Funds incrementally, this will also mean that Banks will be annually recalculating to back into targeting requirements, making the process less transparent to applicants year to year and more burdensome to banks. Multifamily rental housing development can have a long lead time, so significant shifts in targets creates an additional challenge in assembling capital for development or preservation. The need for affordable rental housing and resources to support it is urgent now. We are concerned that the learning curve for this complex new structure will further complicate or delay the delivery of badly needed resources. We urge FHFA to explore opportunities to permit the use of Targeted Funds as a complement to a modified version of the existing scoring system.

3. *Would the proposed expansion of the contents of the Targeted Community Lending Plans impede the Banks' ability to respond to disasters through AHP?*
4. *What are the benefits of the proposed expansion of the contents of the Targeted Community Lending Plan and their linkage to the AHP Implementation Plan.*

While SAHF and its members support funding and allocation polices that are informed by market data and research, we are concerned that the expansion of the Targeted Community Lending Plan ("TCLP") criteria will limit the responsiveness of the Banks to community needs. The research required from the plan may incentivize Banks to focus on broader needs rather than drilling down on specific needs or needs within a smaller area of the region that would require additional research. In post-disaster periods, research may not be available to specifically illustrate the housing needs and in order to be responsive, banks may need flexibility or the ability to leverage the insight of their Advisory Councils and other partners to identify needs. Further, the requirement that Banks have included an affordable housing need in their TCLP for at least twelve months before a Targeted Fund can be established will delay not only disaster response, but timely and strategic housing investments in general. For instance, if a large new employer announces that it will bring or create hundreds or thousands of new jobs in a market within one to two years, the time required to research the need and develop the targeted plan plus the twelve month requirement for the TCLP and the development of Targeted Funds could take well over a year to establish a Target Fund, much less award and deploy the funds. This time delay makes AHP an ineffective tool for helping to ease the impact of increased demand in a tight market. We encourage FHFA to consider guidance that encourages the leveraging of other data sources for development of the TCLP, but also recognizes that consideration of factors other than research may be appropriate. We also urge FHFA to eliminate the requirement that a housing need be identified in the TCLP for twelve months before a Targeted Fund can be developed. The Banks have significant expertise and should be encouraged to leverage the expertise of their Advisory Councils and public input to develop responsive Targeted Funds.

5. Is the requirement that members' AHP agreements with LIHTC project sponsors include a provision requiring the sponsors to provide prompt written notice to the Bank if the project is in noncompliance with the LIHTC income-targeting or rent requirements at any time during the AHP 15-year retention period practical, and should it also be required of project sponsors in the event of noncompliance by their projects with the income-targeting or rent requirements of the government housing programs discussed under the Monitoring section?

As mission-driven long term owners of affordable housing SAHF members take seriously LIHTC and AHP affordability covenants. Noncompliance with LIHTC income targeting and rent requirements is rare and is typically swiftly addressed to avoid penalties. It is appropriate that the sponsor be required to notify the Bank within a reasonable time of when the sponsor becomes aware of noncompliance that remained uncorrected, but reporting brief, isolated and corrected occurrences may be unhelpful to the Banks. We encourage FHFA to consult with the Banks and the industry stakeholders to identify the level or duration of noncompliance that should be reported and ensure that the Banks have a process and capacity to evaluate and use this information.

15.How should preservation of rental projects be encouraged through AHP while discouraging displacement of current residents with higher income than those targeted in the AHP application submitted to the Bank for approval and is the requirement for a relocation plan reasonable?

In many cases, AHP funds are used to preserve rental projects that were previously assisted under a federal or state housing assistance program or are subject to a use agreement related to past assistance. Examples are properties financed through the HUD Section 202 and 236 programs, as well as properties recapitalized through HUD's Rental Assistance Demonstration program. In these cases, preservation would be best encouraged by deeming all units occupied by a resident who was income-eligible at the time they moved in to be AHP income eligible units. This approach is consistent with HUD requirements which prohibit the permanent relocation of existing residents in many preservation transactions. This would be also be consistent with the policy proposed for the LIHTC program in the broadly supported Affordable Housing Credit Improvement Act bills ((S.548) and (HR 1661)) currently pending in Congress. Permitting relocation plans for existing residents without this alternative approach for assisted or previously assisted properties with use restrictions would disadvantage these valuable preservation projects in the application process since they are not permitted to relocate residents and would therefore be unable to count as affordable units that they would, in fact, reserve for low income households in the long term.

Where a preservation property was not previously subject to affordability requirements, acceptance of a relocation plan may be appropriate so long as it provides adequate tenant protections and assistance. FHFA should give the Banks discretion to evaluate the appropriateness of tenants protections in the context of the local market. FHFA should encourage the Banks to consider whether relocated tenants can be reasonably expected to secure housing that is affordable to them when considering any assistance that is provided. For these purposes, affordability should evaluated based on the greater of 30% of the households monthly income or the percentage of income the household was paying for rent prior to relocation.

18. What are the advantages and disadvantages of allowing banks to impose a maximum subsidy limit per sponsor?

Imposing per sponsor subsidy limits could open up competition to a broader pool of developers, but it could also exclude the most impactful projects. If a single developer is undertaking one or more large projects within a Bank's district in a relatively short period of time, the developer could easily have impactful projects in need of funding that exceeds the limit. One example is the HOPE SF program that is transforming public housing in San Francisco. SAHF members and other developers are working on very large projects as part of this citywide redevelopment, as well as their other large development activities and could easily approach a funding cap. We encourage the Banks to consider strategic impact, as well as the sponsor's experience and capacity together to undertake and complete multiple projects with the merit of the project, but not to impose a maximum.

19. What are possible approaches for re-ranking application to meet the outcome requirements while at the same time maximizing the extent to which the highest scoring applications are approved?
A goal of the updated rule should be to provide a streamlined and more transparent process for scoring and award of funding. Re-ranking applications creates a more opaque process in which developers have little chance of assessing how competitive their applications may be and in which the Banks' ability to address local/regional priorities through their AHP Implementation Plans and Targeted Funds is limited. That the rule contemplates the need to re-rank applications after scoring based on the Implementation Plan seems to acknowledge the complexity of the proposed framework. We strongly discourage FHFA from implementing a final rule that includes re-ranking and encourage FHFA to focus on creating a regulatory framework that allows Banks the flexibility to both meet statutory and regulatory priorities and target local regional goals, which may include modification to the current system of priorities rather than imposition a more complex new framework.

28. What is the utility of the proposed outcome approach to income targeting and are the proposed 55% threshold, its applicability solely to rental units and income targeting at 50% of AMI appropriate?

We support targeting resources to provide housing for very low income households. As discussed above, we believed based on conversations with stakeholders from throughout the industry that imposing required regulatory outcomes on top of a scoring process will create an undue administrative burden and may lead to an application and allocation process that is even less transparent and predictable. We encourage FHFA to continue to implement income targeting through a more transactional approach.

29-31. Is the proposed increase in the minimum threshold from 20 to 50 percent for the number of units reserved for homeless households, housing with a specific special need or other targeted populations appropriate?

We appreciate FHFA's desire to prioritize housing for the homeless and other special needs or targeted populations and the effort to ensure that AHP funds are awarded to projects that will most impactfully serve these populations. However, we do not support the proposed increase in the minimum threshold for the number of reserved units. In many cases, populations at risk of homeless and other special needs populations are best served in properties with a smaller percentage of reserved units. In the case of disabled residents, a 50% concentration of units could conflict with the Olmstead principle that residents live the most integrated setting appropriate for their needs. Further, in some jurisdictions policy and funding priorities encourage properties with no more than 20% of reserved units for homeless or disabled residents. The proposed increase would directly conflict with these evidence-informed policies. Additionally, properties predominantly reserved or entirely restricted to special populations can be difficult to site and finance and will typically require deeper subsidy that is tied to the project. Project based rental assistance is very limited and difficult to obtain. We encourage FHFA to retain the current 20% threshold and leave the Banks with discretion to create further priorities where appropriate.

32. Is the proposed 20 percent minimum threshold for the number of units in a project reserved for extremely low-income households appropriate?

We agree that 20% is an appropriate minimum threshold for extremely low income households. SAHF members see daily the overwhelming need for housing affordable to extremely low income households

33. Do the three proposed regulatory priorities described in proposed § 1291.48 – underserved communities and populations, creating economic opportunities, and affordable housing preservation – constitute significant housing priorities that should be included in the regulation, or should other housing priorities be included?
34. Should the specific housing needs identified under each regulatory priority be included, or are there other specific housing needs that should be included?

The three regulatory priorities outlined in the proposed revision to 1291.48 are important housing priorities and provide a framework for addressing the priorities and likely needs of communities. Specifically identifying housing needs under each regulatory priority quickly becomes viewed as a prescriptive and by including these details in a regulation may become unintentionally limiting. FHFA should consider high-level priorities and provide examples and commentary in subregulatory guidance that may be more easily updated. Banks can use their TCLP and AHP Implementation Plan development process to identify how these priorities should be addressed. While we support the limited, broader regulatory priorities, we encourage FHFA to give particular consideration to how to encourage Banks to balance and address the needs of rural communities through these flexible regulatory priorities. Under the three proposed priorities, this could be accomplished through clear guidance/examples.

35. Do the Banks have sufficient flexibility under the current scoring system to target specific housing needs in their districts, including awarding subsidy to address multiple housing needs in a single AHP funding period?

The current system does not provide sufficient flexibility to target funding. The mandatory scoring requirements dictate how over half of the points will be allocated and the minimum allocations to certain categories can offset the points that a Bank can award for the separate District Priorities. This creates a very challenging balance in making awards.

We appreciate the proposed Targeted Fund structure that would create an identified pool of resources for specific purposes allowing developers to better identify the likelihood of an award and allowing banks to more effectively target desired outcomes.

36. Should the current regulatory scoring system be maintained without change?
As discussed above, the current scoring system limits the ability of the Banks to respond to local housing needs and creates significant ambiguity for applicants working to structure transactions. Updates to the system are appropriate, but we encourage FHFA to seek to introduce flexibilities as described below without a broad new regulatory framework.

38. Should the current Bank First and Second District Priorities be combined and the list of housing needs in the Bank First District Priority eliminated?

We encourage FHFA to explore mechanisms for increasing flexibility and discretion for the Banks in meeting the needs of their regions. Combining the First and Second District Priorities would provide some additional flexibility. By including both the list of First District Priorities and the discretion of the Second District Priority, Banks should have sufficient flexibility without needing to eliminate the list of First District Priorities. By permitting banks to combine the two District priority categories and allowing Targeted Funds that meet certain threshold criteria, FHFA could provide Banks significantly more flexibility without imposing a whole new framework.

40. Is data available on the noncompliance rates of projects funded under the PBRA Section 8 Program?
Subpart G – Remedial Actions for Noncompliance

Properties assisted with project based rental assistance contracts are subject to more robust oversight and monitoring requirements that most other major federal rental housing assistance program. Residents are income certified annually, owners submit certifications of compliance monthly with their requests for payment and are subject to annual management and occupancy reviews by performance

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based contract administrators who assess compliance with income certification requirements, among other things. Audited annual financial statements are submitted to HUD annual for almost all PBRA properties and typically include disclosures of any identified noncompliance. Properties are also subject to physical inspections conducted through HUD's Real Estate Assessment Center on a regular basis. We encourage FHFA to communicate with HUD about available data from recent management and occupancy reviews and from monthly housing assistance payments contract vouchers that may provide evidence of the program's low noncompliance rates.

Thank you the opportunity comment on the improvement of this critical program. We would be happy to further discuss our comments. Please feel free to contact me at aponsor@sahfnet.org or 202-737-5973.

Sincerely,

Andrea R. Ponsor
EVP, Policy